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February 12, 2002

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Speaker Porter:

Today I am transmitting two supplemental appropriation bills for FY2002 which pay for emergency and unanticipated expenses and those the Legislature short-funded during last year's regular session. This bill is sometimes referred to as the "fast track supplemental bill" because it includes items with particularly tight time requirements that are not accommodated by the usual passage of supplemental appropriations later in the spring.

Approximately half of the supplemental general funds required are in the fast track bill because formula programs were short-funded last May and the agencies will soon be without sufficient appropriation authority to meet statutory obligations. The largest of these is Medicaid, where the funding level was cut nearly \$2 million below the Department of Health and Social Services low-case projection offered with my December 2000 budget proposal. The department informed the Legislature the following April that the mid-case projection was more likely due to significant increases in the caseloads and costs for seniors and the disabled. The year-to-date information is actually tracking with the mid-case scenario.

Also as part of last year's cuts from my proposed budget, subsidized adoptions were funded below the department's projection by \$1.8 million. It now appears that \$2.5 million more will be needed this year for state obligations to parents who have adopted children with special needs. We should remember that in addition to these children having permanent homes, adoptions are less expensive for the state than keeping children in foster care.

A third statutory obligation under-funded in the current budget is Power Cost Equalization assistance for high rural energy costs. Continuing high fuel prices in rural Alaska force the need for \$1.1 million more for this statutory formula than has been appropriated so far.

The Alaska Marine Highway System lost approximately \$3.6 million between fiscal year 2001 and 2002 due to the fire aboard the Columbia. Because of that loss and this year's increased fuel costs of \$280,000, the Marine Highway Fund needs \$2.9 million to avoid drastic service changes this spring.

Four highway maintenance stations have had actual or imminent structural failure that required them to be abandoned. This bill pays for temporary replacement space as well as design for the Chandelar replacement on the Dalton Highway in the Brooks Range so it can be constructed this summer. The cost of replacing all four stations will be added to the deferred maintenance bond package I recently introduced.

Fortunately, we have unanticipated excess interest earnings on the tobacco settlement bonds which are restricted to use for capital projects or to retire those same bonds. I recommend using a portion of the earnings for eligible projects in this bill.

I urge you to put this bill on a "fast track" for final action as early in March as possible. This will allow us to take advantage of the construction season for the highway maintenance stations and the University's Fisheries and Ocean Sciences Facility at Lena Point. Approval of this bill in March will also ensure uninterrupted processing of Medicaid payments and subsidized adoption and guardianship payments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tony Knowles", is written in a cursive style.

Governor